

REPORT

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/14/07

NEW ORLEANS MISSION, INC. AND SUBSIDIARY

JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

December 18, 2006

Board of Directors
New Orleans Mission, Inc. and Subsidiary
New Orleans, Louisiana

We were engaged to audit the accompanying consolidated statement of financial position of New Orleans Mission, Inc. and Subsidiary (the Mission) as of June 30, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management.

As a result of Hurricane Katrina, certain accounting records have been destroyed and were unable to be re-created, and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to satisfy ourselves about the amounts at which certain accounts such as cash, inventory, property and equipment, and related accumulated depreciation, accounts payable and other accrued expenses recorded in the accompanying balance sheet at June 30, 2005.

Because of the significance of the matters, as explained in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2006, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 1)	\$ 93,542
Grants receivables	3,001
Inventories (Notes 1 and 2)	<u>8,144</u>
Total current assets	<u>104,687</u>

PROPERTY AND EQUIPMENT: (Note 1)

Land	56,308
Buildings and building improvements	970,579
Furniture, fixtures and equipment	210,720
Vehicles	<u>27,767</u>
	1,265,374
Less: accumulated depreciation	<u>(571,989)</u>
Net property and equipment	<u>693,385</u>

TOTAL ASSETS \$ 798,072

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 316,454
Accrued liabilities	51,180
Line of credit (Note 3)	34,985
Current maturities of long-term debt (Note 3)	<u>52,676</u>
Total current liabilities	<u>455,295</u>

NONCURRENT LIABILITIES:

Long-term debt less current maturities (Note 3)	<u>321,254</u>
Total noncurrent liabilities	<u>321,254</u>
Total liabilities	<u>776,549</u>

NET ASSETS:

Unrestricted net assets (deficit)	(1,977)
Temporarily restricted net assets (Note 5)	<u>23,500</u>
Total net assets	<u>21,523</u>

TOTAL LIABILITIES AND NET ASSETS \$ 798,072

See accompanying notes.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
PUBLIC SUPPORT AND OTHER REVENUES:			
Contributions (Note 1)	\$ 571,099	\$ -	\$ 571,099
Grants	121,756	-	121,756
Gifts	144,307	-	144,307
Miscellaneous	<u>27,253</u>	<u>-</u>	<u>27,253</u>
 Total public support and other revenues	 <u>864,415</u>	 <u>-</u>	 <u>864,415</u>
FUNCTIONAL EXPENSES: (Note 1)			
Program services	842,231	-	842,231
Fund raising	99,223	-	99,223
Management and general	<u>90,179</u>	<u>-</u>	<u>90,179</u>
 Total functional expenses	 <u>1,031,633</u>	 <u>-</u>	 <u>1,031,633</u>
 CHANGE IN NET ASSETS	 (167,218)	 -	 (167,218)
NET ASSETS AT BEGINNING OF YEAR	<u>165,241</u>	<u>23,500</u>	<u>188,741</u>
NET ASSETS AT END OF YEAR	<u>\$ (1,977)</u>	<u>\$ 23,500</u>	<u>\$ 21,523</u>

See accompanying notes.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Program Services</u>	<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>
Appeals printing	\$ -	\$ 91,935	\$ -	\$ 91,935
Bad debt expense	10,000	-	27,167	37,167
Depreciation	88,048	-	-	88,048
Development	-	7,288	-	7,288
Equipment	10,487	-	-	10,487
Food and food service supplies	10,150	-	-	10,150
Gifts	-	-	3,450	3,450
Health insurance	30,496	-	-	30,496
Insurance	47,560	-	5,284	52,844
Interest	27,399	-	-	27,399
Miscellaneous	775	-	6,974	7,749
Other office expense	686	-	6,170	6,855
Other program costs	123,182	-	-	123,182
Payroll taxes	63,009	-	-	63,009
Professional services	-	-	39,807	39,807
Repairs and maintenance	39,557	-	-	39,557
Salaries	312,009	-	-	312,009
Telephone	11,947	-	1,327	13,274
Travel and conference	4,607	-	-	4,607
Utilities	62,320	-	-	62,320
	<u>\$ 842,231</u>	<u>\$ 99,223</u>	<u>\$ 90,179</u>	<u>\$ 1,031,633</u>

See accompanying notes.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (167,218)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	88,048
(Increase) decrease in assets:	
Grants receivable	8,000
Pledges receivable	10,000
Prepaid expenses	6,034
Employee advances	27,867
Increase (decrease) in liabilities:	
Accounts payable	136,693
Accrued liabilities	<u>(43,221)</u>
Net cash provided by operating activities	<u>66,203</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Net borrowings under line of credit	36,831
Principal payments on long-term debt	<u>(9,128)</u>
Net cash provided by financing activities	<u>27,703</u>

Net increase in cash and cash equivalents 93,906

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (364)

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 93,542

See accompanying notes.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

ORGANIZATIONAL PURPOSE:

The New Orleans Mission, Inc. (the Mission) is a non-profit, non-stock corporation organized to operate a street rescue mission aiding various segments of the homeless population, to rehabilitate alcoholics and drug addicts, and to educate the public regarding the unique needs of the homeless. The Mission is not a private foundation. The Mission is a member of the International Union of Gospel Missions (IUGM). The Mission's subsidiary, Mission Properties Foundation, Inc., is a non-profit, non-stock corporation organized to acquire, operate and hold real property for the Mission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation:

The consolidated financial statements include the accounts of New Orleans Mission, Inc. and its wholly-owned subsidiary, Mission Properties Foundation, Inc. All material interorganization transactions have been eliminated.

Basis of Accounting:

The accompanying consolidated financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded when incurred. Contributions are recognized when received or when unconditionally promised. In-kind contributions are recognized at their fair market value when received.

Inventory:

Inventory consists of food, clothing, bedding, medical supplies and building salvage materials used by the Mission in its programs. Food inventory is valued using an average cost per pound. Other inventory is valued at the lower of cost or market with cost determined by the first-in, first-out (FIFO) method, or, if donated inventory, at the fair market value at the time of the donation.

Property and Equipment:

Equipment is recorded at cost when purchased and at fair market value when received as a donation. The Mission capitalizes all assets with an original cost of \$500. Expenditures for maintenance, repairs and minor renewals are charged against earnings as incurred. Major expenditures for improvements, renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 31 years. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is reflected in the change in net assets.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Materials and Services:

The Mission records the estimated value of donated materials when there is an objective basis available to measure their value. Donated food is essential to the Mission and, therefore, the Mission records it at an estimated fair market value. A substantial amount of clothing and furniture is donated to the Mission during the year. These donations are recorded at a minimal value since (a) their value varies greatly depending on the condition and type, and (b) they are usually passed through the Mission to its charitable beneficiaries or other charitable organizations.

The Mission records the value of contributed services when the services received create or enhance nonfinancial assets or require specialized skills provided by individuals possessing these skills that would typically need to be purchased if not provided by donation. Contributed services for doctors and ministers are recorded. While individuals enrolled in the Mission's program donate significant amount of their time in the Mission's program activities, these services have not been recorded since these individuals are also beneficiaries of the Mission and usually do not have specialized skills.

Financial Statement Presentation:

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," the Mission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Mission is required to present a statement of cash flows.

Contributions:

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made", contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Under SFAS No. 116, time restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction.

Numerous donations are received to feed the homeless and needy. The Mission recognizes these as unrestricted contributions because the restriction is met within the same reporting period.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes:

The Mission and its subsidiary are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950.

Functional Expenses:

Expenses are charged to each program or function based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to programs or functions based on the estimated hours spent by the Mission's employees on each program or function.

The Mission conducts activities that include requests for contributions, as well as program and management and general components. Based on the content and audience criteria specified in Statement of Accounting Position (SOP) 98-2, "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising", the entire amount of joint costs was allocated to fundraising.

Advertising:

The Mission solicits contributions by advertising through direct mailings and newspapers which also stimulates a positive entity image. Under SOP 9307, "Reporting on Advertising Costs", the Mission expenses the production costs of advertising as incurred except for direct-response advertising which is capitalized and amortized over its expected period of future benefits. Advertising expense was \$91,935 during the year ended June 30, 2005. There was no direct-response advertising for 2005.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Mission considers short-term investments, if any, with an original maturity of less than three months from the acquisition date to be cash equivalents.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

2. INVENTORY:

At June 30, 2005, major components of inventory consisted of the following:

Clothing	\$ 1,500
Bedding	4,500
Food	<u>2,144</u>
	<u>\$8,144</u>

3. LONG-TERM DEBT:

Long-term debt consists of the following:

Installment notes payable, secured by New Orleans Mission facility on O.C. Haley Street, bearing interest at 3%, maturing in March 2020, monthly principal and interest payments of \$711 with a final balloon payment.	\$ 119,434
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Installment notes payable, secured by New Orleans Mission facility on O.C. Haley Street, bearing interest at 5%, maturing in April 2008, monthly principal and interest payments of \$585 with a final balloon payment.	88,795
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Installment notes payable, secured by the New Orleans Mission facility on O.C. Haley Street, bearing interest at 5%, maturing in January 2010, monthly principal and interest payments of \$877 with a final balloon payment.	140,601
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Installment notes payable, secured by New Orleans Mission savings account, bearing interest at 5.0%, maturing in June 2006 monthly principal and interest payments of \$1,196.	<u>25,100</u>
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373,930

Less: current portion	<u>(52,676)</u>
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Total	<u>\$ 321,254</u>
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NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

3. LONG-TERM DEBT: (Continued):

Long-term debt matures as follows:

<u>Year ended June 30,</u>	
2006	\$ 52,676
2007	12,392
2008	89,758
2009	10,201
2010	124,464
Thereafter	<u>84,439</u>
	<u>\$ 373,930</u>

The Mission also has a \$35,000 line of credit which bears interest at 7.0% at June 30, 2005, of which \$34,985 is outstanding and \$15 is available on the line at June 30, 2005. The line of credit matures in June 2006.

4. DONATED MATERIALS AND SERVICES:

Fair market values for donated food, supplies and services were not able to be determined for the year ended June 30, 2005.

Significant volunteer hours were expended on the Mission's behalf for special meal and volunteer days. These hours are not recorded since they do not meet the United States generally accepted accounting principles' recognition criteria.

5. RESTRICTED ASSETS:

The temporarily restricted net assets as of June 30, 2005 consist of temporarily restricted donations that have not yet been used for their intended purpose. The donors restricted their use as follows:

Medical clinic	\$ 7,000
New Women's Center	9,500
Retreat Center	<u>7,000</u>
	<u>\$ 23,500</u>

6. CONCENTRATION OF CREDIT RISK:

The Mission maintains its cash balances at one local financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. We were unable to determine if uninsured balances existed as of June 30, 2005.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 18, 2006

Board of Directors
New Orleans Mission, Inc. and Subsidiary
New Orleans, LA

We have audited the financial statements of the New Orleans Mission, Inc. and Subsidiary (a nonprofit organization), as of and for the year ended June 30, 2005, and have issued our report thereon dated December 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the New Orleans Mission, Inc. and Subsidiary's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect New Orleans Mission, Inc. and Subsidiary's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the New Orleans Mission, Inc. and Subsidiary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2005-2.

This report is intended solely for the information and use of the audit committee, management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITOR’S RESULTS:

1. Financial statements:

Type of auditor’s report issued - disclaimer

2. Report on Internal Control and Compliance Material to the Financial Statements.

Internal Control: Material Weaknesses Yes X No
 Reportable Conditions X Yes No

Compliance: Compliance Material to Financial Statements Yes X No

3. Federal Awards: Not Applicable

Internal control over major programs

Material weaknesses: Yes No

Reportable conditions: Yes No

Type of Opinion on Compliance Unqualified Qualified
for Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 Yes No

4. Identification of Major Programs: Not Applicable

CFDA Number(s) Name of Federal Program (or Cluster)

Dollar threshold used to distinguish Type A and Type B Programs \$ _____

Is the auditee a “low-risk” auditee, as defined by OMB Circular A-133?

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED UNDER
GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

2005-1 Bank Reconciliations

Criteria: Internal controls should be in place to safeguard assets and provide assurance that they are accurately reported.

Condition: The client was unable to provide monthly bank account reconciliations for one of the bank accounts maintained by the Mission.

Effect: Audit scope limitation.

Cause: Documents were lost due to Hurricane Katrina.

Recommendations: Procedures should be implemented to assure that bank reconciliations are backed up.

Management's Response: Management agrees with the recommendation. The outside CPA prepares monthly reconciliations and maintains the original offsite.

2005-2 Failure to File Audited Financial Statements by Deadline

Criteria: Entities receiving governmental funds in Louisiana must submit audited financial statements to the Louisiana Legislative Auditor within six months of its fiscal year end.

Condition: The Mission failed to submit its audited financial statements by December 31, 2005.

Effect: The Mission is not in compliance with the requirements of the Louisiana Legislative Auditor.

Cause: Hurricane Katrina delayed recordkeeping and the start of the audit fieldwork.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED UNDER
GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)

2005-2 Failure to File Audited Financial Statements by Deadline (Continued)

Recommendations: Management should make every effort to become current and file audited financial statements timely.

Management's Response: Management will implement the recommendations made and will be aware of filing deadlines.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED UNDER
GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

2004-1 Segregation of Duties

Criteria:	Safeguarding of assets requires adequate segregation of duties in an effective internal control structure. No one person should have access to both physical assets and the related accounting records, to all phases of a transaction or responsibility for all functions in the payroll system.
Condition:	Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties consistent with appropriate control objectives regarding cash receipts and disbursements and payroll. The bookkeeper had unchecked access to all accounting functions, including possession of a signature stamp to sign checks. She had sole custody of all accounting records, many of which, including cleared checks returned with the bank statements, could not be located after her termination. She had the authority to commit the Mission to an air conditioning maintenance contract with a company owned by her neighbor. Actual expenditures to this company far exceeded the contract amounts.
Effect:	Intentional or unintentional errors could be made and not be detected.
Cause:	The Mission's administrative staff is small and therefore it is not feasible to maintain an adequate segregation of duties among accounting personnel.
Recommendation:	The Board of Directors should remain involved in the day-to-day financial affairs of the Mission to provide oversight and independent review functions. The accountant should not be an authorized check signer and should not have access to cash receipts. Instead, someone independent of the accountant should prepare a list of checks received and should make bank deposits. The list would be given to the accountant for general ledger recording. Payroll should be reviewed and approved by management outside of the accountant.
Current Year Status:	Based on discussions with management, this finding has been resolved for the year ended June 30, 2005.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED UNDER
GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)

2004-2 Untimely Bank Reconciliations

Criteria: Internal controls should be in place to safeguard assets and provide assurance that they are accurately reported.

Condition: Monthly bank account reconciliations were not prepared on a timely basis for the bank accounts maintained by the Mission.

Effect: The failure to prepare timely bank account reconciliations could lead to reporting errors or defalcations not being identified or corrected on a timely basis.

Cause: The accountant was negligent in allowing the Mission to fall behind in account reconciliations.

Recommendation: Procedures should be implemented to assure that bank reconciliations are prepared on a timely basis each month.

Current Year Status: Refer to current year 2005-1 for similar finding.

2004-3 Lack of Formal Accounting Procedures and Management Oversight

Criteria: Timely and accurate financial reporting is dependent on a formal and reliable system of accounting procedures in an Organization. The effectiveness of such procedures is dependent on management oversight and involvement.

Condition: Our evaluation of the internal control structure revealed the absence of a formal system of procedures to ensure completeness, accuracy and timeliness of the financial reporting. Many of the transactions tested lacked supporting documentation. The accounts of the Mission's subsidiary were not maintained in a separate general ledger system. Further, the executive director at the time demonstrated a complete disregard for his responsibility to provide oversight of the accountant.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED UNDER
GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)

2004-3 Lack of Formal Accounting Procedures and Management Oversight (Continued)

Effect: The Mission's accounting system was incomplete. No procedures were in place to identify and record items such as in-kind donations, accruals, and fixed asset additions and disposals. The accountant is currently under a police investigation for alleged theft involving cash donations and unauthorized cash disbursements. This resulted in incomplete, inaccurate, unreliable and late financial reporting. Also, because of the poor system and lack of oversight, grant funds that the Mission was entitled to were not fully drawn down.

Cause: The Mission does not have a formal accounting policies and procedures manual and management and the Board of Directors failed to provide the necessary oversight of the accountant.

Recommendation: A formal accounting policies and procedures manual should be implemented. This manual should require formalized segregation of duties and significant management and board involvement in the accounting cycle.

Current Year Status: Based on discussions with management, this finding has been resolved for the year ended June 30, 2005.

2004-4 Unauthorized Payroll Advances

Criteria: Payroll advances to employees should be extremely rare and should require authorization at the highest levels of a small organization.

Condition: The Mission's bookkeeper advanced payroll to herself and other employees. At June 30, 2004, the total unreimbursed balance was \$27,867.

Effect: The Mission advanced funds that it may not be able to get reimbursed, straining its resources and ability to provide services.

Cause: The lack of segregation of duties and lack of management or board oversight created an environment that allowed the bookkeeper to make unauthorized payroll advances.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED UNDER
GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)

2004-4 Unauthorized Payroll Advances (Continued)

Recommendation: Management must no longer allow payroll advances and must implement a system of internal controls which would establish levels of approval for certain transactions above the bookkeeper's level.

Current Year Status: This finding has been resolved for the year ended June 30, 2005.

2004-5 Failure to File Audited Financial Statements by Deadline

Criteria: Entities receiving governmental funds in Louisiana must submit audited financial statements to the Louisiana Legislative Auditor within six months of its fiscal year end.

Condition: The Mission failed to submit its audited financial statements by December 31, 2004.

Effect: The Mission is not in compliance with the requirements of the Louisiana Legislative Auditor.

Cause: The conditions described in items 2004-2 and 2004-3 delayed the start of audit fieldwork.

Recommendation: Management should implement the recommendations made to resolve those findings which will allow for timely filing of the audit report.

Current Year Status: This finding was repeated for the year ended June 30, 2005. See current year finding 2005-2.

2004-6 Failure to Timely File Payroll Tax Returns

Criteria: All entities paying salaries and wages to employees must file quarterly and annual returns and remit the appropriate amount of payroll taxes to all local, state and federal agencies.

Condition: The Mission did not file quarterly federal and state payroll returns and did not remit the appropriate payroll tax for the period under audit.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED UNDER
GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)

2004-6 Failure to Timely File Payroll Tax Returns (Continued)

Effect:	The Mission is delinquent in payroll tax filings and is subject to interest, penalties and possible liens on property.
Cause:	The Mission's bookkeeper was negligent in disregarding the requirement to file the returns. The Mission's executive director was negligent in his lack of oversight that allowed the condition to occur and last for several quarters.
Recommendation:	Management should file all delinquent returns and remit the necessary amount of tax to each state and federal agency.
Current Year Status:	This finding has been resolved for the year ended June 30, 2005.



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**CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

2005-01

Description of Finding: Unable to provide monthly bank reconciliation for one cash account because of records destroyed due to Hurricane Katrina.

Corrective Action: Management has hired an outside CPA to prepare bank reconciliations on a timely basis. A copy is maintained at New Orleans Mission and the original is backed up offsite at the CPA's office.

2005-02

Description of Finding: The Mission failed to submit its audited financial statements by December 31, 2005. Loss of records due to Hurricane Katrina contributed to the delay of the audit.

Corrective Action:
Management requested an extension to file the June 30, 2005 financial statements. Also, management has hired an outside CPA to perform bookkeeping services and to help the Mission keep our records current so that we can meet the required deadline in the future.

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